

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Ransom	County Hillsdale
Audit Date March 31, 2006	Opinion Date August 29, 2006	Date Accountant Report Submitted to State: August 29, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>		Zip 48707	

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	9
Notes to Financial Statements	10-15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	16
Other supporting information:	
General Fund Expenditures by Detailed Account	17
Combining Balance Sheet – All Permanent Funds	18
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Permanent Funds	19
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	20

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 29, 2006

To the Township Board
Township of Ransom
Hillsdale County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Ransom, Hillsdale County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Ransom's management. Our responsibility is to express opinions on these financial statements based on our audit.

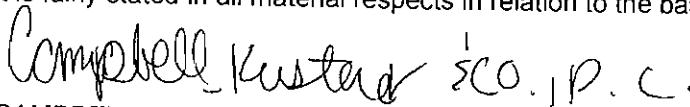
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Ransom, Hillsdale County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


CAMPBELL, KUSTERER & CO., P.C.

Certified Public Accountants

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Ransom covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$80,959.88 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$109,426.05. Governmental activities had a \$3,485.26 increase in net assets.

We did not incur any debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Cemetery Perpetual Care Fund, and the Cemetery Building and Site Fund.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Cemetery Perpetual Care Fund, and the Cemetery Building and Site Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$23,739.23 and sanitation which incurred expenses of \$17,797.92.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets this year.

The Township has no long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Theodore Kneebush, at (517)567-8507.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	63 192 90
Taxes receivable	<u>1 766 98</u>
Total Current Assets	<u>64 959 88</u>
NON-CURRENT ASSETS:	
Capital Assets	17 700 00
Less: Accumulated Depreciation	<u>(1 700 00)</u>
Total Non-current Assets	<u>16 000 00</u>
TOTAL ASSETS	<u><u>80 959 88</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	16 000 00
Reserved for cemetery care	19 606 20
Unrestricted	<u>45 353 68</u>
Total Net Assets	<u>80 959 88</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>80 959 88</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	2 190 00	-	(2 190 00)
General government	41 437 17	8 417 53	(33 019 64)
Public safety	8 900 00	-	(8 900 00)
Public works	44 204 23	12 880 64	(31 323 59)
Other	9 209 39	-	(9 209 39)
Total Governmental Activities	<u>105 940 79</u>	<u>21 298 17</u>	<u>(84 642 62)</u>
General Revenues:			
Property taxes			17 108 01
State revenue sharing			69 670 02
Interest			249 33
Miscellaneous			<u>1 100 52</u>
Total General Revenues			<u>88 127 88</u>
Change in net assets			3 485 26
Net assets, beginning of year			<u>77 474 62</u>
Net Assets, End of Year			<u>80 959 88</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	41 686 32	15 549 23	4 056 97	61 292 52
Taxes receivable	1 766 98	-	-	1 766 98
Due from other funds	1 900 38	-	-	1 900 38
Total Assets	<u>45 353 68</u>	<u>15 549 23</u>	<u>4 056 97</u>	<u>64 959 88</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Fund balances:				
Reserved for cemetery care	-	15 549 23	4 056 97	19 606 20
Unreserved:				
Undesignated	45 353 68	-	-	45 353 68
Total fund equity	<u>45 353 68</u>	<u>15 549 23</u>	<u>4 056 97</u>	<u>64 959 88</u>
Total Liabilities and Fund Equity	<u>45 353 68</u>	<u>15 549 23</u>	<u>4 056 97</u>	<u>64 959 88</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 64 959 88

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	17 700 00
Accumulated depreciation	<u>(1 700 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 80 959 88

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:				
Property taxes	17 108 01	-	-	17 108 01
State revenue sharing	69 670 02	-	-	69 670 02
Charges for services:				
Property tax administration	6 217 53	-	-	6 217 53
Transfer station	12 880 64	-	-	12 880 64
Cemetery	-	-	2 200 00	2 200 00
Interest	47 31	194 17	7 85	249 33
Miscellaneous	1 100 52	-	-	1 100 52
Total revenues	<u>107 024 03</u>	<u>194 17</u>	<u>2 207 85</u>	<u>109 426 05</u>
Expenditures:				
Legislative:				
Township Board	2 190 00	-	-	2 190 00
General government:				
Supervisor	2 974 57	-	-	2 974 57
Assessor	6 620 05	-	-	6 620 05
Clerk	5 197 25	-	-	5 197 25
Board of Review	1 125 00	-	-	1 125 00
Treasurer	7 065 27	-	-	7 065 27
Building and grounds	1 250 61	-	-	1 250 61
Cemetery	11 708 34	-	3 817 48	15 525 82
Unallocated	1 278 60	-	-	1 278 60
Public safety:				
Fire protection	8 900 00	-	-	8 900 00
Public works:				
Drains	2 106 74	-	-	2 106 74
Highways and streets	23 739 23	-	-	23 739 23
Street lighting	560 34	-	-	560 34
Sanitation	17 797 92	-	-	17 797 92
Other:				
Insurance	7 886 00	-	-	7 886 00
Pension	1 323 39	-	-	1 323 39
Total expenditures	<u>101 723 31</u>	<u>-</u>	<u>3 817 48</u>	<u>105 540 79</u>
Excess (deficiency) of revenues over expenditures	5 300 72	194 17	(1 609 63)	3 885 26
Fund balances, April 1	<u>40 052 96</u>	<u>15 355 06</u>	<u>5 666 60</u>	<u>61 074 62</u>
Fund Balances, March 31	<u><u>45 353 68</u></u>	<u><u>15 549 23</u></u>	<u><u>4 056 97</u></u>	<u><u>64 959 88</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 3 885 26

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(400 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 3 485 26

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Ransom, Hillsdale County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Ransom. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund and the Cemetery Building and Site Fund are used to account for assets that are legally restricted.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was .8067 mills, and the taxable value was \$21,232,548.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	50 years
Equipment	3-5 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$16,000.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>63 192 90</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	63 430 63
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u><u>63 430 63</u></u>

The Township did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	15 000 00			15 000 00
Building	1 000 00	-	-	1 000 00
Equipment	<u>1 700 00</u>	<u>-</u>	<u>-</u>	<u>1 700 00</u>
Total	17 700 00	-	-	17 700 00
Accumulated Depreciation	<u>(1 300 00)</u>	<u>(400 00)</u>	<u>-</u>	<u>(1 700 00)</u>
Net Capital Assets	<u><u>16 400 00</u></u>	<u><u>(400 00)</u></u>	<u><u>-</u></u>	<u><u>16 000 00</u></u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Ransom does not issue building permits. Building permits are issued by the County of Hillsdale.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1 900 38</u>	Current Tax Collection	<u>1 900 38</u>
Total	<u><u>1 900 38</u></u>	Total	<u><u>1 900 38</u></u>

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	15 950 00	15 950 00	17 108 01	1 158 01
State revenue sharing	70 000 00	70 000 00	69 670 02	(329 98)
Charges for services:				
Property tax administration	4 100 00	4 100 00	6 217 53	2 117 53
Transfer station	15 000 00	15 000 00	12 880 64	(2 119 36)
Interest	50 00	50 00	47 31	(2 69)
Miscellaneous	-	-	1 100 52	1 100 52
Total revenues	<u>105 100 00</u>	<u>105 100 00</u>	<u>107 024 03</u>	<u>1 924 03</u>
Expenditures:				
Legislative:				
Township Board	2 390 00	2 390 00	2 190 00	(200 00)
General government:				
Supervisor	3 030 00	3 030 00	2 974 57	(55 43)
Assessor	7 575 00	7 575 00	6 620 05	(954 95)
Clerk	5 410 00	5 410 00	5 197 25	(212 75)
Board of Review	1 000 00	1 125 00	1 125 00	-
Treasurer	7 105 00	7 105 00	7 065 27	(39 73)
Building and grounds	1 800 00	1 800 00	1 250 61	(549 39)
Cemetery	13 350 00	13 350 00	11 708 34	(1 641 66)
Unallocated	2 375 00	2 375 00	1 278 60	(1 096 40)
Public safety:				
Fire protection	8 500 00	8 900 00	8 900 00	-
Public works:				
Drains	2 000 00	2 110 00	2 106 74	(3 26)
Highways and streets	26 150 00	26 150 00	23 739 23	(2 410 77)
Street lighting	550 00	565 00	560 34	(4 66)
Sanitation	19 850 00	19 850 00	17 797 92	(2 052 08)
Culture:				
Library	1 100 00	1 100 00	-	(1 100 00)
Other:				
Insurance	8 400 00	8 400 00	7 886 00	(514 00)
Payroll taxes	1 350 00	1 350 00	1 323 39	(26 61)
Contingency	<u>10 000 00</u>	<u>9 350 00</u>	<u>-</u>	<u>(9 350 00)</u>
Total expenditures	<u>121 935 00</u>	<u>121 935 00</u>	<u>101 723 31</u>	<u>(20 211 69)</u>
Excess (deficiency) of revenues over expenditures	(16 835 00)	(16 835 00)	5 300 72	22 135 72
Fund balance, April 1	<u>16 835 00</u>	<u>16 835 00</u>	<u>40 052 96</u>	<u>23 217 96</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>45 353 68</u>	<u>45 353 68</u>

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Fees and per diem	1 950 00
Miscellaneous	<u>240 00</u>
	<u>2 190 00</u>
Supervisor:	
Salary	2 400 00
Miscellaneous	<u>574 57</u>
	<u>2 974 57</u>
Assessor:	
Salary	4 899 15
Supplies	532 75
Miscellaneous	<u>1 188 15</u>
	<u>6 620 05</u>
Clerk:	
Salary	4 500 00
Miscellaneous	<u>697 25</u>
	<u>5 197 25</u>
Board of Review	<u>1 125 00</u>
Treasurer:	
Salary	5 575 00
Supplies	733 77
Miscellaneous	<u>756 50</u>
	<u>7 065 27</u>
Building and grounds:	
Utilities	945 61
Repairs and maintenance	<u>305 00</u>
	<u>1 250 61</u>
Cemetery	<u>11 708 34</u>
Unallocated:	
Memberships and dues	463 61
Audit	800 00
Miscellaneous	<u>14 99</u>
	<u>1 278 60</u>
Fire protection	<u>8 900 00</u>
Drains	<u>2 106 74</u>
Highways and streets:	
Repairs and maintenance	<u>23 739 23</u>
Street lighting	<u>560 34</u>
Sanitation	<u>17 797 92</u>
Insurance	<u>7 886 00</u>
Payroll taxes	<u>1 323 39</u>
Total Expenditures	<u><u>101 723 31</u></u>

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

COMBINING BALANCE SHEET- ALL PERMANENT FUNDS
March 31, 2006

	<u>Cemetery Perpetual Care</u>	<u>Cemetery Building & Site</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	<u>15 549 23</u>	<u>4 056 97</u>	<u>19 606 20</u>
Total assets	<u>15 549 23</u>	<u>4 056 97</u>	<u>19 606 20</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	-	-	-
Fund balances:			
Reserved	<u>15 549 23</u>	<u>4 056 97</u>	<u>19 606 20</u>
Total Liabilities and Fund Balances	<u>15 549 23</u>	<u>4 056 97</u>	<u>19 606 20</u>

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES- ALL PERMANENT FUNDS
March 31, 2006

	<u>Cemetery Perpetual Care</u>	<u>Cemetery Building & Site</u>	<u>Total</u>
Revenues:			
Charges for services	-	2 200 00	2 200 00
Interest	194 17	7 85	202 02
	<u>194 17</u>	<u>2 207 85</u>	<u>2 402 02</u>
Total revenues	<u>194 17</u>	<u>2 207 85</u>	<u>2 402 02</u>
Expenditures- Cemetery	<u>-</u>	<u>3 817 48</u>	<u>3 817 48</u>
Excess (deficiency) of revenues over Expenditures	194 17	(1 609 63)	(1 415 46)
Fund balance, March 31	<u>15 355 06</u>	<u>5 666 60</u>	<u>21 021 66</u>
Fund Balance, April 1	<u>15 549 23</u>	<u>4 056 97</u>	<u>19 606 20</u>

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in Bank	<u>341 68</u>	<u>441 532 83</u>	<u>439 974 13</u>	<u>1 900 38</u>
<u>Liabilities</u>				
Due to other funds	341 68	21 577 26	20 018 56	1 900 38
Due to others	<u>-</u>	<u>419 955 57</u>	<u>419 955 57</u>	<u>-</u>
Total Liabilities	<u>341 68</u>	<u>441 532 83</u>	<u>439 974 13</u>	<u>1 900 38</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 29, 2006

To the Township Board
Township of Ransom
Hillsdale County, Michigan

We have audited the financial statements of the Township of Ransom for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Ransom in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Ransom
Hillsdale County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Ransom began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

To the Township Board
Township of Ransom
Hillsdale County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Handwritten signature of Campbell Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants